

Message Text

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TO SECSTATE WASHDC IMMEDIATE 3318
INFO ALL OECD CAPITALS
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SUBJECT: OECD MINISTERIAL, JUNE 14-15, 1978: RELATIONS WITH DEVELOPING COUNTRIES IN THE CONTEXT OF GROWING INTERDEPENDENCE

1. SUMMARY: OECD MINISTERS HAD WIDE-RANGING EXCHANGE OF VIEWS ON KEY DIMENSIONS OF NORTH-SOUTH RELATIONS. SECRETARY VANCE OUTLINED A COORDINATED PROGRAM FOR SUSTAINED GROWTH ENCOMPASSING ECONOMIC EXPANSION, TRADE LIBERALIZATION, POSITIVE ADJUSTMENT POLICIES, INCREASED INVESTMENT, AND SHARED
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RESPONSIBILITY WITH ADVANCED LDC'S. STATEMENTS OF MANY OTHER DELEGATIONS ECHOED THESE THEMES. MINISTERS AGREED ON THE NEED FOR STRENGTHENED COOPERATION TO ADVANCE COMMON DC/LDC INTERESTS IN EFFICIENT GLOBAL ECONOMIC MANAGEMENT AND MUTUALLY BENEFICIAL CHANGE, INCLUDING A) COMMITMENT TO AN OPEN MULTILATERAL TRADING SYSTEM AND A READINESS TO ADJUST TO

CHANGES IN THE PATTERN OF WORLD PRODUCTION AND TRADE, B) EXAMINATION IN THE OECD OF THE UTILITY AND FEASIBILITY OF MEASURES FOR INCREASING INVESTMENT FLOWS TO DEVELOPING COUNTRIES; AND C) STEPPED UP EFFORTS TO HELP ENSURE THE BASIC NEEDS OF THE WORLD'S POOR ARE MET, REAFFIRMATION OF DONORS' INTENTION TO INCREASE AID EFFECTIVELY AND SUBSTANTIALLY, AND EXAMINATION OF HOW BEST TO ENSURE LARGER AID ALLOCATIONS ARE EFFECTIVELY SPENT. MINISTERS ALSO EXPRESSED HOPE THAT WORK OF THE UN COMMITTEE OF THE WHOLE WOULD PROCEED CONSTRUCTIVELY, AND NOTED THE ADVANTAGES THAT WOULD RESULT IF THE STRONGER DEVELOPING COUNTRIES PROGRESSIVELY ADAPT THEIR TRADE AND OTHER POLICIES IN LINE WITH THEIR LEVEL OF DEVELOPMENT. WITH RESPECT TO ENERGY, MINISTERS REAFFIRMED THEIR WILLINGNESS TO ENGAGE IN ENERGY COOPERATION WITH ALL COUNTRIES, ESPECIALLY LDC'S. IN ADDITION TO ABOVE POINTS, REFLECTED IN COMMUNIQUE REPORTED SEPTEL, MINISTERS AGREED ON NEED TO GIVE FURTHER CONSIDERATION TO QUESTION OF RELATIONS BETWEEN OECD AND ADVANCED LDC'S AND TO CONTINUE TO USE OECD TO PREPARE FOR DISCUSSIONS WITH LDC'S IN VARIOUS FORUMS. HIGHLIGHTS OF DELS PRESENTATIONS REPORTED BELOW. END SUMMARY.

2. SECRETARY VANCE POSED CHALLENGE FACING OECD COUNTRIES
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AS THE DEVELOPMENT OF A COORDINATED PROGRAM TO RETURN THEIR ECONOMIES TO A PATTERN OF SUSTAINED GROWTH, AND OUTLINED THE ELEMENTS OF SUCH AN EFFORT: CONCERTED ACTION TO ACHIEVE ECONOMIC EXPANSION, WITH EACH NATION DOING ITS SHARE; TRADE EXPANSION, VIA A SUCCESSFUL MTN AND CONTINUED ADHERENCE TO THE TRADE PLEDGE; NATIONAL POLICIES TO ENCOURAGE ECONOMIES TO ADJUST TO CHANGING TRADE PATTERNS; STRONG AND EFFECTIVE ENERGY PROGRAMS, INCLUDING IMPROVED U.S. PERFORMANCE IN THIS AREA; EFFORTS TO INCREASE INVESTMENT AND IMPROVE THE INTERNATIONAL FRAMEWORK TO PROMOTE INVESTMENT FLOWS; AND STRENGTHENING RELATIONS AND SHARING RESPONSIBILITIES WITH LDC'S IN THE AREAS OF TRADE, AID, ENERGY, FOOD, PRIVATE INVESTMENT AND TECHNOLOGY TRANSFER. THE SECRETARY URGED THAT THE OECD AS AN INSTITUTION GIVE FRESH THOUGHT TO ITS RELATIONS WITH DEVELOPING COUNTRIES, POINTING OUT TRADE, INVESTMENT, ENERGY, AND AID TO THE POOREST COUNTRIES AS AREAS WHERE THE OECD AND NEWLY INDUSTRIALIZING COUNTRIES HAVE SHARED CONCERNS.

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HE ALSO URGED THE ORGANIZATION TO CONTINUE EXPLORING
WAYS TO STRENGTHEN THE INTERNATIONAL TRADING SYSTEM,
TO EXPAND ITS ROLE AS A FORUM FOR DISCUSSING POSITIVE
ADJUSTMENT POLICIES, AND TO FURTHER ITS ACTIVITIES
IN COORDINATING NORTH-SOUTH POLICIES IN AREAS SUCH
AS BASIC HUMAN NEEDS AND INVESTMENT NEEDS IN KEY
SECTORS. (FULL TEXT OF SECRETARY'S SPEECH IS CARRIED
IN WIRELESS FILE).

3. JAPANESE STATEMENT (MINISTER OF EXTERNAL ECONOMIC
AFFAIRS USHIBA) WARNED AGAINST USING INCREASING
IMPORTS FROM ADVANCED DEVELOPING COUNTRIES AS AN
EXCUSE FOR PROTECTIONISM AND URGED OECD COUNTRIES
TO WELCOME THESE COUNTRIES' SUCCESS, ACCEPTING
THEIR PRODUCTS AND REQUESTING THEM TO
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LIBERALIZE THEIR MARKETS IN ACCORDANCE WITH THEIR STAGE OF DEVELOPMENT. JAPANESE REP ALSO STRESSED NEED FOR POSITIVE ADJUSTMENT POLICIES IN THIS CONNECTION.

ON

ENERGY, GOJ FAVORED URGENT INITIATIVES FOR MORE EFFICIENT ENERGY USE AND DEVELOPMENT OF CONVENTIONAL AND ALTERNATIVE ENERGY SOURCES. JAPAN NOTED ITS RECENT DECISION TO DOUBLE AID IN THREE YEARS AND UNILATERAL UNTYING POLICY AND URGED MORE STUDY OF SECRETARIAT PROPOSAL TO INCREASE INVESTMENT FLOWS TO LDC'S. JAPANESE REP ALSO REFERRED TO INTERFUTURES PROJECT, EXPRESSING HOPE IT WOULD PRODUCE SUCCESSFUL RESULTS AND GIVE MEMBER COUNTRIES A USEFUL DOCUMENT, AND SUGGESTING OECD STUDY HOW RESULTS COULD BE FOLLOWED UP.

4. UK (FRANK JUDD, MINISTER OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS) NOTED THAT ECONOMIC IMPERATIVE OF DEVELOPMENT OF LDC'S REQUIRED ACCEPTANCE OF ADJUSTMENT BY THE NORTH. WHILE SAFEGUARDS WERE NEEDED TO REDUCE HARDSHIP TO A MINIMUM AND FORESTALL ADOPTION OF CRUDER POLICIES, JUDD ARGUED "SAFEGUARDS AGAINST SAFEGUARDS" WERE ALSO NECESSARY TO MAKE SURE ADJUSTMENT PROCESS WAS NOT ARRESTED. HE MADE PLEA FOR PROMPT INJECTION OF FURTHER OFFICIAL RESOURCES INTO THE LDC'S, POINTING TO REVIEW OF IMF QUOTAS, POSSIBLE NEW SDR ISSUE, AND POSSIBLE COMPENSATORY FINANCING IMPROVEMENTS AS KEY DECISION POINTS. JUDD THOUGHT THAT SECTOR EMPHASIS OF NEW INVESTMENT WAS MATTER FOR COUNTRY-BY-COUNTRY DETERMINATION, AND THAT HUMAN RIGHTS PERFORMANCE OF RECIPIENTS WAS IMPORTANT FACTOR TO TAKE INTO ACCOUNT. IN HIS VIEW KEY TO STIMULATION OF MORE PRIVATE FLOWS VIA CO-FI-LIMITED OFFICIAL USE

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NANCING WAS BEEFING UP FINANCIAL RESOURCES OF IFI'S. WITH RESPECT TO COORDINATED COLLABORATIVE APPROACH WITH THE LDC'S, HE URGED OECD COUNTRIES BE CLEAR ABOUT WHAT THEY HAVE TO OFFER BEFORE SIGNALLING SUCH A DESIRE TO LDC'S, AND IN GENERAL TO AVOID PASSING PIOUS RESOLUTIONS, THEN NOT CARRYING THEM OUT.

5. GERMAN FOREIGN MINISTER GENSCHER STRESSED OPEN ECONOMIC SYSTEM AND FORCES OF COMPETITION AS CRUCIAL FACTORS IN GROWTH EQUATION, AND URGED MINISTERS REJECT PROTECTIONISM AND EXCESSIVE GOVERNMENT INTERVENTION. GERMAN REP OUTLINED ENERGY, TRADE, AND RESOURCE TRANSFERS AS AREAS WHERE COOPERATIVE APPROACH TO N/S RELATIONS IS ESSENTIAL. GENSCHER SAID OECD SHOULD OPEN ITS MARKETS TO LDC EXPORTS AND ACCEPT

ORDERLY ADJUSTMENT AND STRUCTURAL CHANGE, BUT NOTED EAST AND ADVANCED LDC'S HAD SIMILAR RESPONSIBILITIES. HE URGED BOTH OECD AND EAST INCREASE RESOURCE FLOW TO LDC'S, AND STRESSED IMPORTANCE OF PRIVATE INVESTMENT, ESPECIALLY IN RAW MATERIALS SECTOR, WHERE BETTER COOPERATION BETWEEN MINING COMPANIES AND LDC GOVERNMENTS IS ESSENTIAL. GENSCHER POINTED TO LAW OF SEA CONFERENCE AS PROVIDING NEW DEPARTURE IN COMMODITY AREA WITH RESPECT TO SEABED MINING.

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6. FRENCH FOREIGN MINISTER DE GUIRINGAUD EXPRESSED DISSATISFACTION WITH STATE OF N/S RELATIONS AND OUTLINED HIS VIEWS ON HOW DEMANDS FOR CAUTIOUS MANAGEMENT OF WORLD ECONOMY AND NEEDS FOR BOLD CHANGES COULD BE RECONCILED IN THE AREAS OF GROWTH, INDUSTRIAL ADJUSTMENT, ENERGY, AID, AND RAW MATERIALS. ON GROWTH, FRENCH DEL SAID CONCERTED ACTION TO STIMULATE GROWTH WAS AN INDISPENSABLE COMPLEMENT TO RENEWING

THE TRADE PLEDGE, AND EXPRESSED SUPPORT FOR DEEPER STUDY OF SECRETARIAT'S PROPOSALS FOR INCREASED INVESTMENT IN LDC'S. DE GUIRINGAUD URGED CONTINUED RECOGNITION OF ESSENTIAL ROLE OF MARKET FORCES IN THE ADJUSTMENT PROCESS (EVEN IF IT WERE SOMETIMES NECESSARY TO SLOW DOWN CERTAIN TRENDS, ASK FOR RECIPROCITY, OR INTERVENE TO DEVELOP ADVANCED TECHNOLOGICAL OFFICIAL USE

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GIES) AND REJECTION OF POLICIES DESIGNED TO THWART MARKET FORCES OR PROVIDE UNFAIR PROTECTION FROM THEM. HE PROPOSED THAT IFI, ESPECIALLY IBRD, INVOLVEMENT IN ENERGY DEVELOPMENT BE GREATLY INCREASED, AND IN AID AREA PUT PRIORITY ON ACHIEVING 0.7 PCT AID TARGET FOR ALL DONOR COUNTRIES, INCLUDING THE EAST. FINALLY DE GUIRINGAUD SAID THAT A REASONABLE SOLUTION TO COMMON FUND SHOULD BE POSSIBLE WITH A LITTLE GOOD WILL.

7. SWEDDISH TRADE MINISTER BURENSTAM-LINDER ALSO EMPHASIZED ACCEPTANCE OF TRADE COMPETITION FROM ADVANCED DEVELOPING COUNTRIES AND THE NEED FOR OECD MEMBERS TO ADJUST AND AVOID PROTECTIONISM. HE SUGGESTED USING MTN TO AGREE ON CRITERIA TO GOVERN GRADUAL ENTRY BY THESE COUNTRIES INTO INCREASED TRADE OBLIGATIONS. SWEDISH DEL SUPPORTED STUDY OF RESOURCE TRANSFER AS MEANS TO EXPAND WORLD ECONOMY AND AKSED FOR STRONG STATEMENT ON INCREASING ODA. NORWAY GAVE SUPPORT FOR MAJOR ADDITIONAL RESOURCE TRANSFERS TO LDC'S AND SUGGESTED SIMILAR PROGRAM WOULD NOT BE INAPPROPRIATE FOR LESS DEVELOPED OECD MEMBERS IN SOUTHERN EUROPE. NORWEGIAN DEL ALSO POINTED OUT NEED FOR FREE AND EFFICIENT SHIPPING SERVICES IN WORLD AND PROPOSED SYSTEM OF TEMPORARY UNILATERAL PREFERENCES BY OECD FOR LDC SHIPPING. SWISS ARGUED THAT ANY INVESTMENT PROGRAM FOR LDC'S SHOULD INCLUDE LATTERS' SECTORAL PRIORITIES, INCLUDING INDUSTRIALIZATION. DUTCH CONSIDERED MASSIVE RESOURCE TRANSFER TO SOUTH TO BE A KEY ELEMENT IN CONCERTED ACTION PROGRAM. BELGIAN REP SAID WE MUST DO A BETTER JOB OF EXPLAINING TO LDC'S THE MUTUAL INTERESTS WE HAVE IN MORE ECONOMIC GROWTH AND LIMITED OFFICIAL USE

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MORE RAW MATERIALS PRODUCTION. AUSTRALIAN REP (MINISTER OF FOREIGN AFFAIRS PEACOCK) RECALLED HE HAD

PRESIDED OVER LAST YEAR'S MINISTERIAL AND EXPRESSED
DISAPPOINTMENT ABOUT PROGRESS MADE SINCE THAT
TIME, ESPECIALLY ON COMMON FUND AND ODA. HE SAID

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AUSTRALIA WAS PREPARED TO MAKE DIRECT CONTRIBUTION
TO CF, ENDORSED SECRETARIAT PAPERS, AND SUPPORTED
RESUMED INTERNATIONAL ENERGY DIALOGUE.

8. AT END OF DISCUSSION SECRETARY GENERAL
VAN LENNEP ASKED MINISTERS TO DISTINGUISH HIS PRO-
POSA FOR INCREASED INVESTMENT FLOWS IN SPECIFIC
AREAS OF FOOD, ENERGY, AND RAW MATERIALS FROM
CONCEPT OF SIMPLY INCREASING RESOURCE TRANSFERS TO
LDC'S NOTING THAT EMPHASIS OF HIS APPROACH WAS ON
THE COOPERATIVE MANAGEMENT OF INTERDEPENDENCE AND
STRUCTURAL CHANGE IN SELECTED AREAS OF MUTUAL
CONCERN AND INTEREST TO DC'S AND LDC'S. VAN LENNEP
CLAIMED THERE ARE NO TECHNOLOGICAL PROBLEMS, AND
ASKED FOR GUIDANCE ON STUDYING HIS PROPOSAL FURTHER

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AND CONTACTING LDC'S ABOUT IT AT AN EARLY DATE. MIN-
INSTERS DID NOT RESPOND, HOWEVER.

9. COMMUNIQUE. DRAFTING N/S SECTIONS OF COMMUNIQUE
PROVED TO BE ESPECIALLY TEDIOUS. FEATURE WAS DUTCH AND
SCANDINAVIAN TENDENCY TO ESPOUSE G-77 VIEWPOINT AND
ESPECIALLY TO ADVOCATE MASSIVE RESOURCE TRANSFERS TO THE
SOUTH. UK ATTEMPT (SUPPORTED BY U.S.) TO INSERT SIMPLE
REFERENCE TO HUMAN RIGHTS WAS STRONGLY OPPOSED BY THEM
ON GROUNDS THIS WAS "PREMATURE," AND HAD TO BE DROPPED
IN END.
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